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Equion Energia Limited

Annual Report and Financial Statements

Year Ended

31 December 2022

Company Number 00629687

Equion Energia Limited

Company Information

Directors	Diego Fernando Manrique Nieto Edgar Molina Martinez Anamaria Reina Luis Alberto Polo Navas Jesús Chillón
Registered number	00629687
Registered office	11th Floor 200 Aldersgate Street London EC1A 4HD
Independent auditor	Ernst & Young LLP 6 More London Place London United Kingdom SE1 2DA

Equion Energia Limited

Contents

	Page
Group Strategic Report	1 - 8
Directors' Report	9 - 10
Directors' Responsibilities Statement	11
Independent Auditor's Report	12 - 15
Consolidated Statement of Profit or Loss	16
Consolidated Statement of Financial Position	17 - 18
Company Statement of Financial Position	19 - 20
Consolidated Statement of Changes in Equity	21
Company Statement of Changes in Equity	22
Consolidated Statement of Cash Flows	23 - 24
Notes to the Financial Statements	25 - 67

Equion Energia Limited

Group Strategic Report
for the Year Ended 31 December 2022

Introduction

The directors present the strategic report, their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year after taxation was $11,610,000 (2021: $15,546,000) which, when added to the retained profit brought forward at 1 January 2022 of $406,802,000 (2021: $391,256,000), gives a total retained profit carried forward at 31 December 2022 of $3,989,000 (2021: $406,802,000).

The Group declared dividends in 2022 of $ 414,422,574 (2021 - $Nil).

Principal activity and review of the business

The Group and its subsidiaries are engaged in crude oil transportation, crude oil marketing, the delivery of outstanding commitments for E&P Association Contracts and the execution of other operations to comply with environmental and local authority commitments.

On 30 June 2010 BP Exploration Operating Company Limited, approved a plan to dispose of its shares in BP Exploration Company (Colombia) Limited. Under this plan, an international sales process took place. On 3 August 2010 the Board of BP Exploration Operating Company Limited announced the sale agreement and the signature of a corresponding "Agreement" with Talisman Colombia Holdco Limited and Ecopetrol S.A.. The transaction closed on 24 January 2011. On 18 February 2015 Talisman Colombia Holdco Limited's Shareholders Assembly approved its acquisition by Repsol S.A. This transaction was concluded on 8 May 2015. On September 30 2022, Talisman Colombia Holdco Limited transferred all of its shares in Equion Energia Limited to Repsol S.A.

On June 9 2022, Equion signed an asset purchase agreement, selling its 4.25% share in the Oleoducto Alto Magdalena (OAM) pipeline. This sale closed on 29 July 2022.

During 2022 the Equion Group sold its 5% of the transportation rights in the Oleoducto Central S.A. (Ocensa) Pipeline (Equion Energia Limited 2.55%, and Santiago Oil Company 2.45%).

In addition, in 2022 the Group continues with the delivery of outstanding commitments for E&P Association Contracts and the execution of other operations to comply with environmental and local authority commitments.

	Year Ended 31 December 2022	Year Ended 31 December 2021	Variance
	$000	$000	%
Revenue	546	16,687	(97)
Operating (loss)/profit	(5,236)	2,793	(287)
Profit after taxation	11,610	15,546	(25)
Equity	340,795	743,608	(54)
Current assets as percentage of current liabilities (quick ratio)	4,296%	5,335%	(19)

Section 172 (1) Statement

This statement has been prepared in compliance with the Companies Act 2006.

The Board of Equion Energia Limited considers that in complying with their statutory duty during 2022 and under section 172 of the Companies Act 2006 (the "Act"), they have acted in good faith and in a manner which they believe is likely to promote the continued success of the Company, for the benefit of its members and stakeholders as a whole. The Board also engages with its stakeholders when considering major strategic decisions, in the following ways:

- On 2 September 2022, the Board of Directors of Equion Energia Limited approved a dividend distribution to the shareholders of the Company for an amount of $414,422,574, of which $211,355,512.74 would be paid to shareholder Ecopetrol S.A., and $203,067,061.26 would be paid to shareholder Talisman Colombia Holdco Limited. Such dividend was satisfied with respect to each shareholder by the assignment of the Company's right to withdraw certain cash deposits held by certain intermediaries, being affiliates of the shareholders. In light of the Company's contingent liabilities, the Board of Directors proposed that the Company and its shareholders enter into a Deed of Undertaking under which the shareholders would undertake to repay their pro rata share of the dividend, if any of the actual, prospective or contingent liabilities of the Company at the time the dividend was paid subsequently became due and payable by the Company, less any funds otherwise available to Equion to repay any such liabilities. Ecopetrol S.A., Talisman Colombia Holdco Limited and Equion Energia Limited entered into said Deed of Undertaking dated 9 September 2022 in connection with the dividend. On 16 December 2022, Ecopetrol S.A., Talisman Colombia Holdco Limited, Repsol S.A., and Equion Energia Limited executed a deed of novation of the Deed of Undertaking under which Talisman Colombia Holdco Limited was released and discharged from the Deed of Undertaking and Repsol S.A. became a party thereto in place of Talisman, given that on 30 September 2022 Talisman Colombia Holdco Limited transferred its shares in Equion to Repsol S.A..

- The Board of Directors have a duty to anticipate changes in the business model and provide direction for the organisation. A clear direction for 2022 was given, in continuing on the simplification of operations and processes and other milestones set forth in the Project Equion Post 2020 plan including the crude oil marketing as well as delivery of outstanding commitments for E&P Association Contracts. On 9 June 2022, Equion signed an asset purchase agreement, selling its 4.25% share in the Oleoducto Alto Magdalena (OAM) pipeline. This sale closed on 29 July 2022.

- For the Equion Post 2020 project, the intention is to strategically manage Equion's assets and liabilities, aiming towards the business opportunity that maximises the cash flow and net present value. Consequently, the Group has the intention to sell some of its assets, with an active plan for this purpose and such assets have been included in Assets held for sale. The appointed project team conducted the actions foreseen for 2022, focusing on the sale assets and performing analysis along with Ecopetrol of the feasibility of paying and managing liabilities and contingencies in advance for which Ecopetrol is reviewing contracting with a third party a diagnosis that allows reviewing which are the obligations executed and those pending to be executed as well as the risk analysis and its quantification of what may occur during execution.

- In 2022, according to the Decommissioning, Restoration and Abandonment (DRA) of 100% Equion projects framework, maintenance and activities related to reforestation in the area of Tacare D, Golconda A and Liria continued. For Liria, the aforementioned activities end in 2022, taking into account that the National Environmental Licensing Authority (ANLA) agreed to file away the environmental license file.

- Regarding communities, the Group helped the San Benito Community Action Board with materials to adapt their common room.

Section 172 (1) Statement (continued)

- In compliance with compensation obligations, the Group carried out a beekeeping project together with Corporinoquia and with a declaration of compliance to date, making use of the environmental provision of compensation for $98,000 of 17 hectares 100% Equion, $113,000 of 18.5 hectares of Piedemonte and $37,000 for 6 hectares of Tauramena. Due to these facts, the department of Casanare is left with conservation of 41.5 hectares, contributing to the preservation of water, biotic and abiotic resources of the region.

- In relation to the obligation of destination for hydric resource (preservation and recovery - 1% investment - see note 23) in 2022 two properties were purchased for 59 hectares with resources from the Tacare D project for $68,000 which remained owned by the mayor's office of Nunchía, Casanare with exclusive use for conservation.

- Regarding suppliers around 56 contracts remain open by the end of 2022 (2021 - 45 contracts).

- Regarding customers, these are related to transportation and crude oil marketing activities as agent, developed in 2022. Due to the sale of the Group´s share in the Oleoducto Alto Magdalena (OAM) pipeline, the Group signed transportation contracts with the pipelines in order to maintain the crude oil marketing activity.

- Regarding ethics and transparency, the Group continues to ensure compliance with current regulations on fraud prevention, bribery, anti-corruption, and money laundering. In addition, it promoted listening and reporting channels to stakeholders, through communications to the target audience.

- Directors approved and monitored the people strategy to maintain the required organisational capacity to carry out the current operations and outstanding commitments during the year. In relation to the restructuring, as part of the people strategy and in order to ensure compliance with the Group's medium and long-term commitments, the Group approved a redundancy program that allows the retention of the personnel required for the execution of the activities. Through this mechanism, the Group protects value and ensures compliance of commitments and that the employees receive an adequate compensation at the time of leaving the Company.

Principal risks and uncertainties

The management of risks is performed by the Group. The Group aims to deliver sustainable value by identifying and responding successfully to risks. Risk management at a Group level is integrated into the process of planning and performance management. Monitoring and accountability for the management of these risks occur through quarterly performance reviews.

Described below are the risks and their potential impact on the business, the economic conditions and the results of the Group's operations.

1. Strategy and growth–related risks

Strategic framework

The Group recognises that the risk management strategy, its objectives and its initiatives are tools that enable the decision making process to create and protect value for the shareholders and at the same time for the stakeholders that interact with the organisation. The ambition for the Group involves simplifying current processes, reducing the operations, and managing assets and liabilities.

Principal risks and uncertainties (continued)

1. Strategy and growth–related risks (continued)

Commercial

As there are no upstream activities, the main income of the Group comes from crude oil marketing activities as agent. This activity provides a source of income that requires attention in order to maximise it.

Planning and budget

Planning and budget scenarios have been presented to the Board of Directors and continue to be worked on as a result of the asset sales. Management continues with its intention to ensure costs are efficient and cash flow requirements are as low as possible, given the current operation status, ensuring the integrity of the operations.

2. Environment

Socio–political

The Group has operations in Colombia where political, economic and social transition is taking place. Political instability, changes to the regulatory environment, civil strife, strikes, acts of war and insurrections could disrupt or terminate the Group operations or cause additional costs to be incurred.

The Group sets high standards of corporate citizenship and aspires to contribute to a better quality of life through the services provided. If it is perceived that the Group does not respect the economic and social progress of the communities in which the Group operate, reputation and shareholder value could be damaged.

Global inflationary pressures have played an important role in the global economy. Central banks increased their interest rates rapidly, causing days with high volatility which generated impacts on the growth rates of the economy.

Colombia was no stranger to the effects of inflation and the effects of the global recession. The domestic political context played a key role and the economy faced great challenges amid the impacts of the tax reform and economic policy proposed by the new Government.

The companies of the Group keep their resources in dollar currency. Sustained increases in interest rates supported income from financial returns. The Group does not have liabilities with financial institutions.

Brexit impact

The ongoing uncertainty regarding the UK's future trade regulations and other legislation following its exit from the European Union means that the Group could be subject to changes in its regulatory environment and also impacted by changes to exchange rates in the future. Brexit started on 1 January 2021. During 2021 and 2022 the Group has not had operational impacts due to Brexit.

Process safety, personal safety and environmental risks

The nature of the Group's operations exposes it to safety, security and environmental risks. The scope of these risks is influenced by the economic environment in the region and the geographic range, operational diversity and technical complexity of the Group's activities. In addition, in many of the Group's material projects and operations, risk allocation and management are shared with third parties, such as contractors, sub–contractors, joint venture partners and associates. See 'Joint ventures and other contractual arrangements.

Climate Change

Taking into account that the Group is not developing industrial activities that generate greenhouse gas emissions, actions against climate change are focused on reforestation activities, ecological restoration, conservation of forested areas that are carried out through environmental compensation programs and to comply the obligation of destination for hydric resource recovery (preservation and recovery -1% investment). These seek to increase the capture of carbon dioxide in accordance with the Sustainable Development Goals. In 2022, the use of the environmental provision for these items was $1,098,000 (see note 23).

The Group has reduced the scope of its operations since 2020 and is now focused on the Decommissioning, Restoration and Abandonment (DRA) activities. Nonetheless, it continues to preserve and maintain the assets and locations in safe conditions.

Security

In line with the current activity level of the Group, it is necessary to maintain security arrangements to protect people, information, and the different assets of the Company, preventing the risks that have been identified, including common crime which can affect the normal development of the business and operations.

Crisis management, business continuity and disaster recovery

Crisis management and contingency plans are required to respond to, and to continue or recover operations, following a disruption or incident. If the Group does not respond, or is perceived not to respond, in an appropriate manner to either an external or internal crisis, its business and operations could be severely disrupted. Inability to restore or replace critical capacity to an agreed level within an agreed timeframe would prolong the impact of any disruption and could severely affect business and operations.

People and capability

We have the appropriate staff for the current level of activity of the Company. However, it is necessary to maintain the motivation and commitment of the employees for the achievement of the organisational objectives and the fulfillment of the pending commitments derived from the terminations of the Association Contracts.

Digital infrastructure

Based on the main risks identified, the workers' computer equipment was renewed and the migration of the technological platform to the Microsoft – Azure cloud began, which allows the Company to have a lighter infrastructure, mitigate obsolescence risks, increase levels of information backup and optimise administration costs.

3. *Financial risk management*

Treasury activities

In the normal course of business, the Group is subject to operational risk around its treasury activities. Shortcomings or failures in the Group's systems, risk management methodology, internal control processes or people could lead to disruption of its business, financial loss, regulatory intervention or damage to its reputation.

Reporting

External reporting of financial and non–financial data is reliant on the integrity of systems and people. Failure to report data accurately and in compliance with external standards could result in regulatory action, legal liability and damage to the Group's reputation.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Group. It arises from cash and cash equivalents, and financial instruments mainly from credit exposures to customers relating to outstanding receivables. The credit policy of the Group is to trade only with recognised third parties that are appropriately credit worthy. This policy is designed to ensure that consistent processes are in place throughout the Group to measure and control credit risk. Credit risk is considered part of the risk–reward balance of doing business. On entering into any business contract, the extent to which the arrangement exposes the Group to credit risk is considered.

Commercial credit risk is measured and controlled to determine the Group's total credit risk. The inability to adequately determine the Group's credit exposure could lead to financial loss. A credit crisis affecting banks and other sectors of the economy could impact the ability of counterparties to meet their financial obligations to the Group.

The maximum credit risk associated with financial assets is the accounting value.

The Group performs business with clients rated with a minimum credit rating of BB (S&P). In addition, in the case of a client without an international credit risk rating, issuance of a credit guarantee is requested to mitigate the credit risk linked to the account receivables. Trade debtors are not due as of 31 December 2022.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group's business activities may not be available over an appropriate period. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Following is a summary of the maturity of financial liabilities at 31 December 2022. The amounts shown are the non–discounted contractual cash:

Trade and other creditors	Within 3 months
	$000
Suppliers	669
Related parties	178
Trade creditors	327
Employees	350
Other creditors	241
Total	1,765

4. *Compliance and control risks*

Ethical misconduct and non–compliance

The code of conduct, which applies to all employees, defines the Group's commitment to integrity, compliance with all applicable legal requirements, high ethical standards and the behaviours and actions the Group expects of its businesses and people wherever it operates. Incidents of ethical misconduct or non–compliance with applicable laws and regulations, including non–compliance with anti–bribery, anti–corruption and other applicable laws could be damaging to the Group's reputation and shareholder value. Multiple events of non–compliance could call into question the integrity of our operations.

Legal, regulatory, policies & procedures

The Group remains exposed to changes in the external environment, such as new laws and regulations, changes in tax or royalty regimes, and government actions to cancel or renegotiate contracts, market volatility or other factors.

Such factors could reduce the Group's profitability from operations in certain jurisdictions, limit its opportunities for new access, require it to divest or write–down certain assets or affect the adequacy of its provisions for tax, environmental and legal liabilities.

The Group purchases, sells and trades oil products in certain regulated commodity markets. Failure to respond to changes in trading regulations could impact the Group's reputation.

The Group earns its revenues from United Kingdom and Colombia. In both jurisdictions the Group files Income Tax Returns according with the tax law.

This report was approved by the board and signed on its behalf by:

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Edgar Molina Martinez
Director

Date: 14 April 2023

Directors' Report
for the Year Ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors

The directors who served during the year were:

Luis Antonio Garcia Sanchez (resigned 1 March 2022)
Diego Fernando Manrique Nieto
Edgar Molina Martinez
Livan Blanco Valiente (resigned 1 July 2022)
Anamaria Reina
Luis Alberto Polo Navas (appointed 1 March 2022)
Nicolas Guy Foucart (appointed 1 July 2022, resigned 1 March 2023)

After the year end, on 1 March 2023, Jesus Chillón was appointed as director.

Directors' indemnity

The Group indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006.

Future developments

The directors have maintained management policies which have resulted in the Group's stability in recent years. It is the intention of the directors that the business of the Group will continue for the foreseeable future as there are obligations that need to be fulfilled and also contingencies and liabilities that require due process on behalf of Management.

The directors are satisfied that the Group has adequate internal resources and continues to be profitable for the foreseeable future. The Group's forecasts and projections show that the Group has financial resources to cover expenses. In case additional resources are required, the Company has the accounts receivable with its shareholders' financial vehicles ("Deposit Agreement") with funds up to $ 332,235,000

In 2023, the Group expects to continue with the profits from Deposit Agreement interest and crude oil marketing.

Going concern

The Group has prepared the financial statements under the assumption of going concern based on the assessment made by the Directors. The Group has an account receivable of $332,235,000 under a deposit agreement with the shareholders´ financial vehicles. Under this contract these funds are available to Equion after 10 banking days notice.

Management has reviewed the projected cashflow to December 2024 being a period of more than 12 months from the signing of the financial statements and concluded that the Group's forecasts and projections show that the Group has sufficient financial resources to meets it obligations and commitments as they fall due, given that it has access to the account receivable under a deposit agreement with shareholders´ financial vehicles which are repayable on demand. This assessment is also made considering that the Group has no external debt facilities.

The initial cash balance is $10,887,000 and disbursements for the year 2023 are expected to be $8,530,000. In addition, $3,500,000 will be requested to the Deposit Agreement. The remaining value is estimated to be used in 2024.

Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as each director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

This report was approved by the board and signed on its behalf by:

....

Edgar Molina Martinez
Director

Date: 14 April 2023

Equion Energia Limited

Directors' Responsibilities Statement
for the Year Ended 31 December 2022

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company Law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS as adopted by the United Kingdom). Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the profit or loss for that period. In preparing these accounts, the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with *IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether the Group financial statements have been prepared in accordance with IFRSs, subject to any material departures disclosed and explained in the financial statements; and make judgements that are reasonable.
- make judgements and estimates that are reasonable and prudent; and
- state that the Group financial statements have been prepared on going concern basis.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

Equion Energia Limited

Independent Auditor's Report to the Members of Equion Energia Limited

Opinion

We have audited the financial statements of Equion Energia Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Parent Company Balance Sheet, Consolidated and Parent Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those related to the reporting framework (UK adopted international accounting standards and United Kingdom Generally Accepted Accounting Practice), regulations impacting oil and gas operations including tax, environmental and labour regulations in Colombia.
- We understood how Equion Energia Limited is complying with those frameworks by making enquiries to management and those responsible for legal procedures. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it is considered there was a susceptibility of fraud. We also considered any relevant performance targets and their propensity to influence on efforts made by management to manage earnings.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management and those charged with governance and legal counsel (including confirmation letters obtained from third party legal advisors); journal entry testing, with a focus on manual journals and those indicating large or unusual journals based on our understanding of the business; and challenging the assumptions and judgements made by management in respect of significant accounting estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the Members of Equion Energia Limited (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

William Binns (Senior statutory auditor)
For and on behalf of **Ernst & Young LLP**, Statutory Auditor

Date: 14 April 2023

Equion Energia Limited

Consolidated Statement of Profit or Loss for the Year Ended 31 December 2022

	Note	2022 $000	2021 $000
Revenue with contracts with customers	5	**546**	16,687
Cost of sales	6	**(288)**	(4,436)
Gross profit		**258**	12,251
Administrative expenses	7	**(5,395)**	(9,908)
Other operating expenses	8	**(93)**	(143)
Fair value movements		**(13)**	-
Other operating income	9	**7**	593
Operating (loss)/profit		**(5,236)**	2,793
Income from associates		**415**	-
Finance income	12	**10,411**	3,111
Profit on disposal of fixed assets		**136**	-
Gain on disposal of discontinued operation before tax	13	**-**	13,730
Foreign exchange gain		**1,135**	1,643
Profit before taxation		**6,861**	21,277
Income tax income/(expense)	14	**4,749**	(5,731)
Profit for the year		**11,610**	15,546
Earnings per share			
Basic profit per share (expressed in US$ per share) (see note 22)		0.05	0.07

There was no other comprehensive income for 2022 (2021 - $Nil).

The notes on pages 25 to 67 form part of these financial statements.

Equion Energia Limited
Registered number:00629687

Consolidated Statement of Financial Position as at 31 December 2022

	Note	2022 $000	2021 $000
Non-current assets			
Property, plant and equipment	15	**745**	942
Intangible assets		**-**	4
Trade and other receivables	17	**82**	21
Deferred tax	14	**4,983**	-
		5,810	967
Current assets			
Other assets		**196**	262
Inventories	18	**378**	-
Corporate tax receivable		**2,423**	2,148
Trade and other receivables	17	**334,518**	735,555
Cash and cash equivalents	20	**10,887**	26,841
		348,402	764,806
Assets classified as held for sale	19	**1,693**	2,320
		350,095	767,126
Total assets		**355,905**	768,093

Consolidated Statement of Financial Position (continued)
as at 31 December 2022

	Note	2022 $000	2021 $000
Equity			
Share capital	21	**331,869**	331,869
Share premium		**4,937**	4,937
Retained earnings		**3,989**	406,802
Total equity		**340,795**	743,608
Non-current liabilities			
Provisions	23	**6,522**	9,986
		6,522	9,986
Current liabilities			
Provisions	23	**6,823**	8,110
Trade and other payables	24	**1,765**	2,767
Corporation tax payable		**-**	3,459
		8,588	14,336
Liabilities associated with assets as held for sale	19	**-**	163
Total liabilities		**15,110**	24,485
Total equity and liabilities		**355,905**	768,093

The financial statements of Equion Energia Limited (registration number 00629687) were approved by the board of directors and authorised for issue on 11 April 2023. They were signed on its behalf by

....

Edgar Molina Martinez
Director

Date: 14 April 2023

The notes on pages 25 to 67 form part of these financial statements.

Equion Energia Limited
Registered number:00629687

Company Statement of Financial Position
as at 31 December 2022

	Note	2022 $000	2021 $000
Non-current assets			
Property, plant and equipment	15	**745**	942
Intangible assets		**-**	4
Investments	16	**270,943**	271,808
Trade and other receivables	17	**82**	21
Deferred tax		**4,983**	-
		276,753	272,775
Current assets			
Other assets		**147**	213
Inventories	18	**378**	-
Corporation tax receivable		**2,419**	-
Trade and other receivables	17	**303,632**	705,229
Cash and cash equivalents	20	**7,859**	25,687
		314,435	731,129
Assets classified as held for sale	19	**1,693**	2,320
		316,128	733,449
Current liabilities			
Trade and other payables	24	**237,938**	233,546
Corporation tax payable		**-**	3,249
Provisions	23	**6,823**	9,198
Liabilities associated with assets as held for sale	19	**-**	163
Net current assets		**71,367**	487,293
Total assets less current liabilities		**348,120**	760,068
Provisions for liabilities	23	**6,520**	8,833
Net assets		**341,600**	751,235
Capital and reserves			
Called up share capital	21	**331,869**	331,869
Share premium		**4,937**	4,937
Retained earnings		**4,794**	414,429
Total equity		**341,600**	751,235

Equion Energia Limited
Registered number:00629687

Company Statement of Financial Position (continued)
as at 31 December 2022

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the parent company for the year was $4,788,000 (2021 - $14,972,000).

The financial statements of Equion Energia Limited (registration number 00629687) were approved by the board of directors and authorised for issue on 11 April 2023. They were signed on its behalf by:

....

Edgar Molina Martinez
Director

Date: 14 April 2023

The notes on pages 25 to 67 form part of these financial statements.

Equion Energia Limited

Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2022

	Called up share capital $000	Share premium $000	Retained earnings $000	Total $000
At 1 January 2021	**331,869**	**4,937**	**391,256**	**728,062**
Profit for the period	-	-	15,546	15,546
At 1 January 2022	**331,869**	**4,937**	**406,802**	**743,608**
Comprehensive income for the year				
Profit for the period	-	-	11,610	11,610
Contributions by and distributions to owners				
Dividends paid	-	-	(414,423)	(414,423)
At 31 December 2022	**331,869**	**4,937**	**3,989**	**340,795**

The notes on pages 25 to 67 form part of these financial statements.

Equion Energia Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2022

	Called up share capital $000	Share premium $000	Retained earnings $000	Total $000
At 1 January 2021	**331,869**	**4,937**	**399,457**	**736,263**
Profit for the period	-	-	14,972	14,972
At 1 January 2022	**331,869**	**4,937**	**414,429**	**751,235**
Profit for the period	-	-	4,788	4,788
Contributions by and distributions to owners				
Dividends paid	-	-	(414,423)	(414,423)
At 31 December 2022	**331,869**	**4,937**	**4,794**	**341,600**

The notes on pages 25 to 67 form part of these financial statements.

Equion Energia Limited

Consolidated Statement of Cash Flows
for the Year Ended 31 December 2022

	2022 $000	2021 $000
Cash flows from operating activities		
Profit for the financial year	**11,610**	15,546
Adjustments for:		
Depreciation, depletion and amortisation	**11**	108
Gain on disposal of fixed assets and discounted operations	**(136)**	(13,730)
Finance income	**(10,150)**	(3,170)
Taxation (credit)/charge	**(4,749)**	5,731
(Increase)/decrease in inventories	**(378)**	364
Decrease in trade, other receivables and prepayments	**3,431**	5,284
Decrease in trade, other payables and provisions	**(6,326)**	(10,622)
Liabilities provision income	**(148)**	(775)
Unrealised foreign exchange	**237**	124
Impairment loss	**328**	2,846
Provision for cost of restructuring	**295**	1,691
Income tax paid	**(4,878)**	(9,792)
Net cash generated from operating activities	**(10,853)**	(6,395)
Cash flows from investing activities		
Purchase of property, plant and equipment	**-**	(1)
Proceeds from sale of property, plant and equipment	**636**	20,700
Proceeds from deposit agreement	**408,923**	2,000
Net cash from investing activities	**409,559**	22,699

Equion Energia Limited

Consolidated Statement of Cash Flows (continued) for the Year Ended 31 December 2022

	2022 $000	2021 $000
Cash flows from financing activities		
Dividends paid	**(414,423)**	-
Net cash used in financing activities	**(414,423)**	-
Net (decrease)/increase in cash and cash equivalents	**(15,717)**	16,304
Cash and cash equivalents at beginning of year	**26,841**	10,661
Net foreign exchange difference	**(237)**	(124)
Cash and cash equivalents at the end of year	**10,887**	26,841
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**10,887**	26,841
	10,887	26,841

The notes on pages 25 to 67 form part of these financial statements.

1. Corporate information

Equion Energia Limited was incorporated on 5 June 1959, is a private company limited by shares incorporated in the United Kingdom under the Companies Act and registered in England and Wales. The address of the Group's registered office is 11th Floor 200 Aldersgate Street, EC1A 4HD, London. Its branch in Colombia, Equion Energia Limited (Colombia Branch), was incorporated on 30 October 1959.

The parent company and its subsidiaries are engaged in oil and gas activities exploration, development and production activities in Colombia, which includes Crude Oil Marketing activities, the delivery of outstanding commitments for E&P Association Contracts and the execution of other operations to comply with environmental and local authority commitments. It also holds investments in subsidiary undertakings engaged in similar activities involved in gas distribution projects and crude oil transportation.

The subsidiary, Santiago Oil Company, was acquired in 2003 and is registered in the Cayman Islands. Its Branch in Colombia, Santiago Oil Company (Colombia Branch) was incorporated on (8 July 1982). Due to the change of the Central Management and Control from Colombia to London, from 1 January 2021, Santiago Oil Company (Home Office) is a United Kingdom tax resident.

The subsidiary, Colombia Pipelines Limited, also domiciled and registered in the United Kingdom, holds an investment in an associated company, whose corporate purpose is the distribution of gas and transport of crude oil.

2. Accounting policies

2.1 Basis of financial statements presentation

These accounts have been prepared on a going basis as set out in the Directors´ report. The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and in accordance with the provisions of the Companies Act 2006. Financial statements are prepared under the historical cost convention as modified by financial instruments recognised at fair value.

The consolidated financial statements provide comparative information in respect of the previous period. The consolidated financial statements are presented in dollars of the United States of America (US dollars or US$) and all values are rounded to the nearest thousand (US$000), except when otherwise indicated.

2. Accounting policies (continued)

2.1 Basis of financial statements presentation (continued)

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and in accordance with applicable accounting standards.

- The Company has taken advantage of the following disclosure exemptions under FRS 101:
- the requirements of IFRS 7 'Financial Instruments: Disclosures';
- the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement';
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-D, 40A-D, 111 and 134-136 of IAS 1 Presentation of Financial Statements';
- the requirements of IAS 7 'Statement of Cash Flows'
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors';
- the requirements of paragraph 17 of IAS 24 'Related Party Disclosures'; and
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

The preparation of financial statements in compliance with adopted IFRS (and FRS 101 with respect to the Parent Company financial statements presented alongside the Group) requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

The following are the significant accounting policies applied by the Group and Company in preparing the financial statements.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 31 December 2022.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The consolidated accounts include:

Name of company	Country of incorporation	Principal activity
Equion Energia Limited (Colombia Branch)	Colombia	Oil and Gas Industry
Colombia Pipelines Limited	United Kingdom	Pipelines
Santiago Oil Company	Cayman Islands	Oil and Gas Industry
Santiago Oil Company (Colombia Branch)	Colombia	Oil and Gas Industry

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra–group balances, transactions and unrealised gains and losses resulting from intra–group transactions and dividends are eliminated in full.

2. Accounting policies (continued)

2.3 Interest in a joint venture

A joint venture is a contractual arrangement between the Group and Company and other ventures that undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Some of the Group and Company's activities are conducted through joint operating agreements where the Group and Company and its joint venture partner have a direct ownership interest in, and jointly control, the assets of the venture. The Group and Company recognise, on a line–by–line basis in the financial statements, its share of the non–current assets, non–current liabilities and expenses of these jointly controlled assets incurred jointly with the other partners, along with its share of the income.

2.4 Foreign currency transactions

Functional currency

The Group and Company's financial statements are presented in dollars, which is the functional currency of its companies.

In accordance with analysis conducted by the Group, the main economic environment in which it operates is the US dollar, bearing in mind that: 1) it is the currency that influences the sale prices of goods; 2) the main cash flows and their financial leverage come from sources in dollars.

Furthermore, when conducting the quantitative assessment of the main indicators of the operation, it is possible to confirm that the highest percentage of the Group's cash flow corresponds to transactions in US dollars.

Foreign currency transactions and balances

Foreign currency transactions are initially recorded in the functional currency at the respective spot rate of exchange ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into dollars at the rate of exchange ruling at the balance sheet date. Exchange differences are included in the profit and loss account. Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2. Accounting policies (continued)

2.5 Property, plant and equipment, intangibles and right-of-use assets

Property, plant and equipment, intangibles and rights-of-use-assets are stated at cost, less accumulated depreciation and accumulated impairment losses

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Also, for property plant and equipment, the initial cost estimates decommissioning obligations, if applies.

Oil and natural gas properties, including related pipelines, are depreciated using a unit–of–production method. The cost of producing wells is amortised over proved developed reserves. License acquisition, common facilities and future decommissioning costs are amortised over total proved developed reserves. The unit–of–production rate for the amortisation of common facilities costs takes into account expenditures incurred to date.

Other property, plant and equipment are depreciated on a straight line basis over its expected useful life. The useful lives of the Group's other property, plant and equipment are as follows:

Buildings	-	5% per year
Fixtures and fittings	-	25% per year

The expected useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. The carrying amount of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de–recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit and loss account in the period in which the item is derecognised.

Right-of-use assets are measured at an amount equal to the lease liability. These assets will be depreciated on a straight line basis according to the duration of the contract.

2.6 Impairment of intangible assets and tangible fixed assets

The Group assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money.

2. Accounting policies (continued)

2.7 Assets held for sale

Any non-current assets meeting the criteria for classification as held for sale are disclosed separately on the face of the balance sheet. These assets are measured at the lower of carrying amount or fair value less costs to sell and are not depreciated. If the asset is an investment in an equity-accounted entity, then equity-accounting ceases when the investment is classified as an asset held for sale. The results of any operations meeting the criteria for classification as a discontinued operation are presented separately in the income statement.

For the sale to be highly probable, management must be committed to a plan for sale and must have started an active programme to find a buyer and complete the plan. The disposal group must be actively marketed at a price which is reasonable in relation to its fair value. These requirements will generally be met when an Authority to Negotiate for the sale has been approved and signed. Each transaction must be reviewed to confirm:

- That there is an active programme to find a buyer and complete the plan. Indicators that this point has been reached may include, among other things, that there is a data room up and running or in preparation, an auction has commenced or discussions are under way with a third party.
- That the sale is expected to qualify for recognition as a completed sale within one year from the date of classification.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

2.8 Investments

Investments in joint ventures, subsidiaries and associates are held at cost in the standalone financial statements and recognised under the equity method in the consolidated financial statements. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount.

Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

All other fixed asset investments are stated in the accounts at cost less provisions for permanent diminution in value.

2. Accounting policies (continued)

2.9 Financial instruments

The classification of a financial instrument depends on its nature, business model and purpose for which the financial asset or liability was acquired and it is determined at the initial recognition.

Financial assets are recognised initially at fair value, normally being the transaction price. In the case of financial assets not at fair value through profit or loss, directly attributable transaction costs are also included.

(a) Financial Assets

The Group classifies its financial assets as measured at amortised cost.

- Financial assets measured at amortised cost

  Financial assets are classified as measured at amortised cost when they are held in a business model the objective of which is to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired and when interest is recognised using the effective interest method. This category of financial assets includes trade and other receivables.

  The effective interest rate method is a method of calculation of the amortised cost of a financial instrument and of registration of the inflow or financial expense throughout the relevant period. The effective interest rate is the discount rate that exactly equals the estimated cash flows receivable and payable throughout the expected life of the financial instrument with the net carrying amount at the initial recognition.

- Cash and cash equivalents

  Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short–term deposits with a maturity of three months or less.

- Impairment of financial assets measured at amortised cost

  The Group assesses on a forward looking basis the expected credit losses associated with financial assets classified as measured at amortised cost at each balance sheet date. Expected credit losses are measured based on the maximum contractual period over which the Group is exposed to credit risk. Since this is typically less than 12 months there is no significant difference between the measurement of 12-month and lifetime expected credit losses for the Group's in-scope financial assets. The measurement of expected credit losses is a function of the probability of default, loss given default and exposure at default. The expected credit loss is estimated as the difference between the asset's carrying amount and the present value of the future cash flows the Group expects to receive discounted at the financial asset's original effective interest rate. The carrying amount of the asset is adjusted, with the amount of the impairment gain or loss recognised in the income statement.

(b) Financial liabilities

Financial liabilities are classified as measured at amortised cost. The Group determines the classification of its financial liabilities at initial recognition.

2. Accounting policies (continued)

2.9 Financial instruments (continued)

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, trade and other payables, carried at amortised cost. This includes directly attributable transaction costs.

- Financial liabilities measured at amortised cost: after initial recognition, interest bearing loans, borrowings, trade and other payables are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate amortisation is included in finance costs in the income statement.

  A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

  The Group's financial liabilities include trade and other payables.

(c) Fair value

The Group characterises inputs used in determining fair value using a hierarchy that prioritises inputs depending on the degree to which they are observable. The level of the fair value hierarchy used is as follows:

- Level 3: inputs that are less observable, unavailable or where the observable data does not support the majority of the instrument's fair value, such as the Group's internally developed assumptions about market participant assumptions used in pricing an asset or liability.

(d) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.10 Inventories

Inventories are valued at cost to the Group using the average method or net realisable value, whichever is the lower.

The cost includes all expenditures incurred in the ordinary course of business to place the inventory in its present location and condition.

2. Accounting policies (continued)

2.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre–tax rate.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

(a) Decommissioning

A provision for decommissioning costs is recognised when the Group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. Where an obligation exists for a new facility, such as oil and natural gas production or transportation facilities, this will be on construction or installation. An obligation for decommissioning may also crystallise during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognised is the present value of the estimated future expenditure determined in accordance with the local conditions and requirements. A corresponding tangible fixed asset of an amount equivalent to the provision is also recognised. This is subsequently depreciated as part of the capital costs of the production and transportation facilities.

Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

Should an adjustment generate a reduction of the asset due to decommissioning, the reduction cannot exceed the book value of the total property, plant and equipment item for the license that the asset relates to due to decommissioning and if it exceeds the amount in books of the total property, plant and equipment asset, the book value must be reduced to a balance of zero, and the excess will be recognised in the consolidated statement of profit or loss.

The Group recognises deferred tax over the net position between the abandonment asset and liability.

(b) Environmental Liabilities

Environmental expenditures that relate to current or future revenues are expensed or capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations and that do not contribute to current or future earnings are expensed.

Liabilities for environmental costs are recognised when environmental assessments or clean–ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognised is the best estimate of the expenditure required. Where the time value of money is material, the amount recognised is the present value of the estimated future expenditure.

2. Accounting policies (continued)

2.11 Provisions (continued)

(c) Restructuring Provisions

Restructuring provisions are only recognised when general recognition criteria for provisions are fulfilled. Additionally, the Group needs to have in place a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and appropriate time–line. The people affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

2.12 Current and deferred taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax in the future. In particular:

- Provision is made for tax on gains arising on disposals of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the replacement assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the average tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. Accounting policies (continued)

2.13 Revenue from contracts with customers

The business of the Group is based on the revenue with customers due to crude oil marketing. The revenue generated is recognised when the control of the goods and services is transferred to the customer in a value reflecting the consideration that the Group expects to receive in exchange for those products and services.

The revenues are recognised to the extent it is likely that the economic benefits flow to the Group and that those revenues can be reasonably measured.

Revenue is measured at market value of the consideration received, excluding discounts and other taxes or encumbrances on sales.

The following criteria are also applicable to other specific operations that constitute revenues:

Crude oil purchase and sale

Where the Group is acting as an agent the revenue associated with the crude oil marketing from third party crude oil purchase contracts is included at the net value according to the margin agreed in the contracts, as well as commissions or fees agreed in its capacity as agent. The amounts collected as a principal, associated with the sale of crude oil from third party crude oil purchase contracts are included in revenues. The purchase cost is recognised within the sale cost.

2.14 Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Group. Labour laws in Colombia foresee the payment of a different compensation for certain employees on the date on which they leave the Group. The amount received by each employee depends on the date of admission, type of contract and salary. Should withdrawal be unjustified, the employee is entitled to receive additional payments, which vary according to the length of service and salary.

2.15 Cash flow

The cash flow position is presented by using the indirect method, which begins by showing the loss or profit in net terms. This figure is corrected by the effects from non–monetary transactions, by deferred payment items, as well as by losses or profits associated with cash flows from activities classified as investment–related.

2.16 Dividend income/payable

Dividend income from investments is recognised when the shareholders' right to receive the payment is established. Final dividends are recorded in the accounts in the year in which they are approved by the Group's shareholders. Interim dividends are recorded in the year in which they are approved and paid.

2. Accounting policies (continued)

2.17 Changes in accounting policies

a) New standards, interpretations and amendments adopted from 1 January 2022

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3)

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2022. See the applicable notes for further details on how the amendments affected the Group.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Group has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract- e.g. direct labour and material; and
- An allocation of other costs that relate directly to fulfilling contracts: e.g. Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss.

These amendments had no impact on the year-end consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

2. Accounting policies (continued)

2.17 Changes in accounting policies (continued)

Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 & IAS 41)

- IFRS 1: Subsidiary as a First-time Adopter (FTA)
- IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial liabilities
- IAS 41: Taxation in Fair Value Measurements

References to Conceptual Framework (Amendments to IFRS 3)

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the period beginning 1 January 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

3. Judgements and significant accounting estimates and assumptions

Significant accounting estimates and assumptions

The Group has identified the following areas where significant application of estimates and assumptions are required. A description of additional information on each one and how they affect the various accounting policies is provided in the respective notes to the financial statements. Changes to the estimates are accounted for prospectively.

Abandonment Costs

The Group incurs costs associated with the abandonment of wells, facilities and properties. The Group estimates the abandonment provision on each reporting date. Final abandonment costs are uncertain and the estimates may vary due to many factors, including changes to applicable legal requirements, the emergence of new restoration techniques or the experiences acquired at other production sites.

The time expected, scope, and expense value may also change, for instance, in response to changes in reserves or changes to the legislation or to its interpretation. Thus, estimates and assumptions are made to determine provisions for closing of operations.

As a result, provisions booked could be adjusted significantly, and could affect future financial results. The provision on the date of financial statements represents Management's best estimate for the present value of future costs necessary for abandonment.

Changes in assumptions in relation to the Group's provisions could result in a change in their carrying amounts within the next financial year. Changes in external factors might affect the execution of the projects. Further information about the Group´s provisions is provided in note 23.

Environmental Costs

The Group estimates environmental costs when environmental assessments or clean–ups are probable and the associated costs can be reasonably estimated. The Group estimates the environmental provision on each reporting date. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognised is the best estimate which may vary due to many factors, including changes to applicable legal requirements.

Changes in assumptions in relation to the Group's provisions could result in a change in their carrying amounts within the next financial year. A 1% change in the real discount rates could have an impact of approximately $153,000 on the value of the Group's provisions. Further information about the Group´s provisions is provided in note 23.

Recovery of Deferred Income Tax

Deferred tax is recognised for all temporary differences, to the extent that it is likely to have taxable income available against which differences are deductible. The book value of deferred tax is reviewed on every date of the balance sheet and it is reduced to the extent that it is not likely to have sufficient taxable income to allow for all or part of the deferred income tax to be utilised. The deferred tax that is not recognised is revalued on each date of the balance sheet, and it is recognised to the extent that it has become probable that the future taxable income will allow for recovery of the tax.

3. Judgements in applying accounting policies (continued)

Restructuring Costs

To record a provision, the Group needs to have in place a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and appropriate time–line. Restructuring costs could be adjusted, and could affect future financial results by changes in employees affected, contract category, and years of work. Further information about the Group´s restructuring costs is provided in note 23.

Significant accounting judgements

Contingencies

Contingent liabilities may emerge in the course of normal operations as a result, among others, of legal, contractual and other claims against the Group. Due to its nature, contingencies can only be resolved when one or more future events take place, or no longer take place. Estimates of the existence and possible value of contingencies entails the application of judgment and the use of estimates on future event results. Further information about the Group´s contingencies is provided in note 29.

Impairment of investments

Impairment is required when the carrying value of an asset or cash generating unit exceeds its recoverable amount. The recoverable amount of an asset is the higher of its value in use and its fair value less costs of disposal. Fair value less costs of disposal may be determined based on expected incomes proceeds. Impairment charges are recognised in the profit and loss account and the carrying amounts of investments.

During 2022, an impairment to the investments was recognised, after the impairment tests relating to discount, interest rates and changes in the economic environment and circumstances were performed.

Asset Held For Sale

The Group's management uses its professional judgement based on offers and commercial appraisal. As at December 2022, Assets held for sale are recognised at their carrying amount. Changes in the economic environment or other facts and circumstances may cause revisions to these assumptions and could result in a material change to the carrying values of the Group's assets within the next financial year.

4. Participation in joint operations

Termination of the association contract - Upon finalisation of the association contract, Equion Energia Limited, in its capacity as operator, must leave the wells that are producing on such date on stream, and provide to the Nation, at no cost, all assets and other real estate properties of the joint account, in addition to easements and goods acquired for the benefit of the contract.

Due to the termination of the association contract of Santiago de las Atalayas, the Group handed over to Ecopetrol the assets, goods and rights of the joint account that included the unified area of Cupiagua and Cupiagua Sur. The delivery was made at midnight Colombian time on 30 June 2010 having as supporting document the minutes of termination of Santiago de las Atalayas association contract. Regarding the outstanding agreements and commitments, as of 31 December 2022, the topics of environmental; land; legal and coordination, are still in progress between the parties the Group's provision regarding these matters is $2,815,000.

Upon termination of the association contract of Tauramena, the Group delivered to Ecopetrol the operation, assets, goods and rights of the joint account corresponding to the unified area of the Cusiana field. The delivery was made at midnight Colombian time on 3 July 2016 having as supporting document the minutes of termination of Tauramena association contract. Regarding the outstanding agreements and commitments, as of 31 December 2022, the topics of environmental; Abandonment, Decommissioning and Restoration (DRA); land; legal and coordination, are still in progress between the parties. The Group's provision regarding these matters is $1,891,000.

Due to the termination of the association contract of Recetor, the Group delivered to Ecopetrol the operation, assets, goods and rights of the joint account corresponding to the Recetor field. The delivery was made at midnight Colombian time on 29 May 2017 having as supporting document the minutes of termination of Recetor association contract. Regarding the outstanding agreements and commitments, as of 31 December 2022, the topics of environmental; land, legal and coordination, are still in progress between the Parties. The Group's provision regarding these matters is $1,356,000.

The termination of the association contract of Rio Chitamena was executed at midnight Colombian time on 31 January 2019. As of 31 December 2022, the following matters are still in progress between the parties: legal, abandonment, decommissioning and restoration and coordination. The Group's provision regarding these matters is $2,000.

Due to the termination of the Piedemonte Association Agreement, Equion gave to Ecopetrol the operation, assets, goods and rights of the joint account corresponding to the Piedemonte field. The delivery was made at midnight on 29 February 2020. As of 31 December, 2022, the themes of environment; land; legal and coordination, remain ongoing between the parties. The Group´s provision regarding these matters (including decommissioning) is $4,414,000.

Pending matters and commitments arising from the above-mentioned termination processes are reflected in a closing plan and have an associated budget, as well as their respective accounting provision.

The Niscota's operation was also returned to its partners in November 2020 with 34 outstanding commitments (24 being the responsibility of Equion and 10 of Hocol being partner in the operation) and have been managed since. At the end of the year 2022, a total of 23 commitments held by Equion were closed and 1 remains outstanding regarding legal theme.

5. Revenue from contracts with customers

	2022 $000	2021 $000
Transportation (1)	**66**	15,692
Crude oil marketing as an agent (2)	**480**	650
Oil revenue own production	**-**	345
	546	16,687

In 2022, Revenue is attributable to crude oil marketing.

(1) In 2021, revenue mainly corresponds to oil transportation through El Morro – Araguaney (EMA) pipeline.

(2) Oil marketing income as an agent includes:

	2022 $000	2021 $000
Sales	**21,675**	16,264
Purchase cost	**(20,292)**	(14,720)
Transportation cost	**(903)**	(894)
	480	650

In 2022 and 2021 sales were mainly made to CI Trafigura Colombia S.A.S.

6. Cost of sales

	2022 $000	2021 $000
Impairment loss	**315**	2,846
Transportation	**50**	1,660
Gas royalties (1)	**-**	520
Depreciation, depletion, and amortisation	**10**	108
Other operating expenses	**19**	43
Production cost	**41**	34
Liability provision decrease	**(147)**	(775)
	288	4,436

(1) The regulation regarding the payment of gas royalties has changed since 1 January 2014 through the ANH's issuance of Resolution 877 of September 25, 2013 (amended by Resolution 640 of 3 July 2014), which requests companies to pay royalties in cash instead of in kind. Consequently, gas producers can sell their gas production proportionately to their share in hydrocarbon exploration and production contracts. According to Management's analysis, the volumes of gas associated to royalties are considered as own reserves.

7. Administrative expenses

	2022 $000	2021 $000
Administrative (1)	**2,349**	5,280
Professional fees	**2,042**	2,246
Restructuring cost	**295**	1,691
Insurance	**293**	230
Security and Safety	**220**	214
Miscellaneous expenses	**196**	247
	5,395	9,908

(1) In 2021, the ruling of the arbitration process with Termomechero was received, which represented an expense of $1,976. Additionally, the costs of the process amounted to $129.

8. Other operating expenses

	2022 $000	2021 $000
Tax on financial transactions	**53**	108
Tax on property, vehicles and others	**40**	35
	93	143

9. Other operating income

	2022 $000	2021 $000
Fees and services	**7**	352
Profit on disposal of raw materials and consumables	**-**	241
	7	593

10. Directors and employees

(a) Remuneration of Directors

In accordance with the Articles of Association of the Company, the Directors are only entitled to receive remuneration from the Group as agreed between the shareholders from time to time. Therefore, the final decision on director's remuneration, in the absence of an employment contract, should be approved by the shareholders. Currently, the Directors do not have employment or services contracts with the Group and the shareholders have not agreed nor approved that those directors are entitled to remuneration. The directors of the Group receive emoluments for their services as employees of other investor companies. None of the remuneration received from investor companies is considered to relate to the performance of their duties as directors of Equion.

	2022 $000	2021 $000
Other benefits and bonuses	**1,286**	1,706
Wages and salaries	**1,230**	1,578
Social security costs	**298**	384
	2,814	3,668

(b) The average monthly number of employees was:

	2022 No.	2021 No.
Non-UK (1)	**24**	27

(1) In 2022, the average number of employees subdivided into categories with regard to the manner in which the Company's activities are organised is: Presidency 2 (2021 - 2), Sustainability and Human management 8 (2021 - 9) and, Commercial and Finance 10 (2021 - 11) and Legal 4 (2021 - 5).

10. Directors and employees (continued)

(c) Remuneration of key management personnel:

	2022 $000	2021 $000
Wages and benefits	**298**	325

11. Auditor's remuneration

	2022 $000	2021 $000
Fees for the statutory audit of the Group	**161**	144
Fees for the tax of the Group	**63**	34

12. Finance (costs)/income

	2022 $000	2021 $000
Interest income on a loan to related parties (1)	**10,416**	3,246
Unwinding of discount on assets	**-**	34
Other interest and similar charges	**261**	(59)
Unwinding of discount on liabilities	**(266)**	(110)
	10,411	3,111

(1) Deposit agreement that has established an interest rate of Libor * 3 months plus 13.875 (2021 - 13.972) basis points (spread according to Bloomberg's swap calculator).

13. Discontinued operations

In December 2021, the Group sold El Morro Araguarey (EMA) pipeline and the exclusive right of use of Hidrocasanare´s off loading facilities to Ecopetrol S.A.

The post-tax gain on disposal of discontinued operations was determined as follows:

	2021 $000
Cash received	20,670
Cash disposed	-
Net cash inflow on disposal of discontinued operations	20,670
Assets disposed	
Materials	(69)
Property, Plant and Equipment	(7,872)
Right-of-use assets	(50)
Gain on disposal of discontinued operations	12,679
Liabilities disposed	
Decommissioning, Restoration and Abandonment (DRA)	1,051
Pre tax gain on disposal of discontinued operations	13,730
Related tax expense	(3,649)
Net gain on disposal of discontinued operations	10,081

	2021 $000
Result of discontinued operations	
Revenue	15,692
Cost of sales	(1,659)
Tax expense	(2,082)
Gain from selling discontinued operations after tax	10,081
Profit for the year	22,032
Operating activities	11,951
Investing activities	20,670
Net cash from discontinued operations	32,621

14. Income tax expense and deferred tax

The main elements of income tax expense and deferred tax for the year ending 31 December 2022 and 2021 are the following:

	2022 $000	2021 $000
Income tax		
Current income tax for the period	-	5,740
Income tax underprovided in prior years	**234**	(9)
	234	5,731
Deferred tax	**(4,983)**	-
	(4,749)	5,731

Factors affecting tax charge for the year

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax applied to profits for the year are as follows:

	2022 $000	2021 $000
Profit for the year	**11,610**	15,546
Income tax expense	**(4,749)**	5,731
Profit on ordinary activities before tax	**6,861**	21,277
Profit on ordinary activities before tax is multiplied by the Group's domestic tax rate of 35% (2021 - 31%) and UK 19% (2021 - 19%)	**453**	6,216
Effects of:		
Exchange rate effect on tax values	**505**	1,304
Non-deductible (recovery) expenses in this period	**(796)**	1,203
Movement in recognition deferred tax	**1,489**	(976)
Others	**23**	14
Income tax underprovided in prior years	**234**	(9)
Tax trade losses brought forward	-	(382)
Profit on sale of property, plant and equipment (-31%)	-	(2,419)
Profit on sale of property, plant and equipment (+10%)	-	780
Group relief	**(1,674)**	-
Deferred tax recognised due to CIR reactivation (1)	**(4,983)**	-
Total tax (credit)/charge for the year	**(4,749)**	5,731

14. Income tax expense and deferred tax (continued)

Changes in tax rates and factors affecting future tax charge

As a result of changes to the Law of Economic Growth, the income tax rate in Colombia for 2022 onwards is 35% (2021 - 31%). The deferred tax balances have been reassessed according to the applicable rate. The deferred taxes assets are recognised to the extent of the existing taxable temporary differences. Therefore, there was no impact from reassessment of deferred taxes to the Profit or Loss Statement.

(1) Energia Limited (Home Office), Santiago Oil Company (Home Office) and Colombia Pipelines, as United Kingdom tax residents had a corporate interest restriction ("CIR") disallowance carried forward of $30,826,000 as at 1 January 2021. The CIR return was filed by Equion Energia Limited on behalf of Equion Group of Companies in 2022 to reactivate it.

A portion of CIR ($3,248,000) was allocated in full to Equion Energia Limited within the 2021 tax return, and ($10,419,000) for the 2022 current tax computations accordingly. The remaining balance was recognised as deferred tax asset to be used in 2023 and onwards.

The deferred tax asset recognised of $19,932,000 gross (tax at 25% - $4,983,000) is made up of the following components:

- Non-trading loan relationship deficits (post April 2017) balance forward from fiscal year 2021: $2,310,000
- Non-trading loan relationship deficits (post April 2017) arising in 2022 (above): $470,000
- CIR disallowance available for reactivation: $17,159,000 ($30,826,000 - $3,248,000- $10,419,000)

A tax charge of 25% is the substantively enacted rate in the UK, applicable to profits arising on or after 1 April 2023, for the deferred tax asset the company has used 25%.

14. Income tax expense and deferred tax (continued)

Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group, and the movements on them during the current and prior periods:

	Decommissioning and other provisions $000	Accelerated capital allowances $000	Receivables, inventories and others $000	Corporate Interest Restriction (CIR) $000	Total $000
Group					
At 1 January 2021	1,706	(1,696)	(10)	-	-
(Charge)/credit to income statement	(1,111)	1,796	291	-	976
Change in amounts unrecognised	(592)	(103)	(281)	-	(976)
At 31 December 2021	(1,703)	1,693	10	-	-
(Charge)/credit to income statement	(1,318)	110	(281)	4,983	3,494
Change in amounts unrecognised	1,690	(482)	281	-	1,489
At 31 December 2022	(1,331)	1,321	10	4,983	4,983

14. Income tax expense and deferred tax (continued)

	Decommissioning and other provisions $000	Accelerated capital allowances $000	Corporate Interest Restriction (CIR) $000	Total $000
Company				
At 1 January 2021	1,693	(1,693)	-	-
(Charge)/credit to income statement	(1,079)	2,074	-	995
Change in amounts unrecognised	(611)	(384)	-	(995)
At 31 December 2021	3	(3)	-	-
(Charge)/credit to income statement	(1,305)	(171)	4,983	3,507
Change in amounts unrecognised	1,677	(201)	-	1,476
At 31 December 2022	375	(375)	4,983	4,983

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same tax authority.

Uncertainty over Income Tax Treatment – The Group has a strategy not to make tax decisions with aggressive or risky positions that may call its tax returns into question. In turn, it does not act in violation of laws or pursue a reduction of the tax basis in an artificial manner.

Accordingly, when there are situations in which the standard is not clear, in addition to the internal opinion, the opinion of an external advisor is requested to evaluate the de-facto and legal arguments that the Group would have before an eventual controversy with the Tax Administration.

During 2022, there was a disposal of the participation in one of the pipelines and other minor assets at Colombian branch level, therefore the tax effects were considered within the Colombian Tax computations at 35% without effects at UK level.

Notwithstanding, the tax authorities in Colombia and the UK are free and empowered to request information and question the positions adopted by the Group until the relevant statute of limitation expires.

15. Property, plant and equipment

Group

	Land & buildings $000	Fixtures & fittings $000	Total $000
Cost			
At 1 January 2022	923	5,258	6,181
Disposals	-	(2,418)	(2,418)
Impairment	(271)	-	(271)
Transfers	84	-	84
At 31 December 2022	736	2,840	3,576
Depreciation			
At 1 January 2022	-	5,239	5,239
Charge for the period	-	10	10
Disposals	-	(2,418)	(2,418)
At 31 December 2022	-	2,831	2,831
Net book value			
At 31 December 2022	736	9	745
At 31 December 2021	923	19	942

15. Property, plant and equipment (continued)

In respect of prior year:

Group

	Oil & gas properties $000	Land & buildings $000	Fixtures & fittings $000	Transportation $000	Right-of-use assets $000	Total $000
Cost						
At 1 January 2021	751	2,506	10,969	171	1,542	15,939
Additions	-	-	1	-	-	1
Disposals	(510)	(1,056)	(1,811)	(171)	-	(3,548)
Disposal of subsidiary	-	(155)	-	-	(738)	(893)
Transfers	(241)	(372)	(3,901)	-	(804)	(5,318)
At 31 December 2021	-	923	5,258	-	-	6,181
Depreciation						
At 1 January 2021	751	1,054	10,944	171	651	13,571
Charge for the period	(4)	-	9	-	103	108
Disposals	(506)	(1,054)	(1,813)	(171)	-	(3,544)
Transfers	(241)	-	(3,901)	-	(754)	(4,896)
At 31 December 2021	-	-	5,239	-	-	5,239
Net book value						
At 31 December 2021	-	923	19	-	-	942
At 31 December 2020	-	1,452	25	-	891	2,368

*Decommissioning, restoration and abandonment

15. Property, plant and equipment (continued)

Company

	Land & buildings $000	Fixtures & fittings $000	Total $000
Cost			
At 1 January 2022	**923**	**5,261**	**6,184**
Disposals	**-**	**(2,418)**	**(2,418)**
Impairment	**(271)**	**-**	**(271)**
Transfers	**84**	**-**	**84**
At 31 December 2022	**736**	**2,843**	**3,579**
Depreciation			
At 1 January 2022	**-**	**5,242**	**5,242**
Charge for the period	**-**	**10**	**10**
Disposals	**-**	**(2,418)**	**(2,418)**
At 31 December 2022	**-**	**2,834**	**2,834**
Net book value			
At 31 December 2022	**736**	**9**	**745**
At 31 December 2021	923	19	942

15. Property, plant and equipment (continued)

In respect of prior year:

Company

	Oil & gas properties $000	Land & buildings $000	Fixtures & fittings $000	Transportation $000	Right-of-use assets $000	Total $000
Cost						
At 1 January 2021	751	2,506	10,972	171	1,542	15,942
Additions	-	-	1	-	-	1
Disposals	(510)	(1,056)	(1,811)	(171)	-	(3,548)
Impairment	-	(155)	-	-	(738)	(893)
Transfers	(241)	(372)	(3,901)	-	(804)	(5,318)
At 31 December 2021	-	923	5,261	-	-	6,184
Depreciation						
At 1 January 2021	751	1,056	10,945	171	651	13,574
Charge for the period	(4)	-	9	-	103	108
Disposals	(506)	(1,056)	(1,811)	(171)	-	(3,544)
Transfers	(241)	-	(3,901)	-	(754)	(4,896)
At 31 December 2021	-	-	5,242	-	-	5,242
Net book value						
At 31 December 2021	-	923	19	-	-	942
At 31 December 2020	-	1,450	27	-	891	2,368

15. Property, plant and equipment (continued)

*Decommissioning restoration and abandonment

The book value of the Group and Company on 31 December 2022 does not include assets under constructions for production and development assets (2021: $Nil).

Assessment of impairment – An assessment was performed for the Group and Company to determine if there are any impairment as at 31 December 2022, with an impairment charge of $271,000 (2021 - $893,000) being recognised.

16. Investments

Company

	Subsidiary shares $000
Cost	
At 31 December 2021	**271,808**
Impairment	
Charge for the period	**865**
At 31 December 2022	**865**
Net book value	
At 31 December 2022	**270,943**
At 31 December 2021	271,808

Subsidiary shares - The investments in the subsidiary and associated undertakings are unlisted. The subsidiary undertakings, associated undertakings and joint ventures of the Company at 31 December 2022 and the percentage of equity capital held are set out below. The principal country of operation is Colombia.

16. Investments (continued)

Name	Country of incorporation	Principal activity	Address	%
Santiago Oil Company	Cayman Islands	Exploration and production	Clifton House, 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands	100%
Colombia Pipelines Limited	England and Wales	Pipelines	11th Floor 200 Aldersgate Street London EC1A 4HD United Kingdom	100%

In absence of an active market that allows to assign a value to the investments in subsidiary companies and due to the lack of operations in Santiago Oil Company and Colombia Pipelines Limited, the impairment assessment was performed based on the liquidity and value of assets in the companies receiving the investment.

Having performed the qualitative and quantitative analysis, an impairment was required as of 31 December 2022 for the investments held by Equion Energia Limited in Colombia Pipelines of $865,000 and no impairment for the investment held by Equion Energia Limited in Santiago Oil Company.

17. Trade and other receivables

	Group 2022 $000	Group 2021 $000	Company 2022 $000	Company 2021 $000
Related parties (note 25)	**333,372**	733,397	**302,486**	703,065
Trade receivables	**-**	82	**-**	82
Other receivables	**53**	997	**48**	1,351
Loans to employees	**108**	229	**108**	-
Taxation (1)	**1,067**	753	**1,067**	752
Joint venture account	**-**	118	**5**	-
	334,600	735,576	**303,714**	705,250

17. Trade and other receivables (continued)

	Group 2022 $000	Group 2021 $000	Company 2022 $000	Company 2021 $000
Current	**334,518**	735,555	**303,632**	705,229
Non-current	**82**	21	**82**	21
	334,600	735,576	**303,714**	705,250

(1) Taxes correspond to a positive balance of the Group on account of the VAT - Value Added Tax.

The Group ascertains if there is objective evidence of impairment individually and conducts an overall analysis. On 31 December 2022, there is an impairment balance of $3,086,000 (2021: $3,319,000) and foreign exchange revaluation of ($832,000) during the year.

The Company ascertains if there is objective evidence of impairment individually, and conducts an overall analysis. On 31 December 2022, there is an impairment balance of $3,004,000 (2021: $3,819,000) and foreign exchange revaluation of ($815,000) during the year.

18. Inventories

	Group 2022 $000	Group 2021 $000	Company 2022 $000	Company 2021 $000
Crude oil (1)	**378**	-	**378**	-

(1) The third-party inventory at the closing period is 4,817 of Vasconia crude oil.

19. Assets classified as held for sale (net position)

	Group 2022 $000	Group 2021 $000	Company 2022 $000	Company 2021 $000
Land and buildings (1)	**1,693**	1,820	**1,693**	1,820
Pipelines (2)	-	500	-	500
	1,693	2,320	**1,693**	2,320
Liabilities held for sale (2)	-	(163)	-	(163)
	1,693	2,157	**1,693**	2,157

(1) The Group continues its plan for the sale of: i) Base Yopal (6 plots) including the building ii) Patio de Tuberia (1 plot) and iii) Cortijo plots.

(2) During 2022, the Group sold its share in the Oleoducto Alto Magdalena pipeline (OAM). The disposal value of these assets is $500,000 and the corresponding liabilities of Decommissioning, Restoration and Abandonment (DRA) $163,000.

20. Cash and cash equivalents

	Group 2022 $000	Group 2021 $000	Company 2022 $000	Company 2021 $000
Cash at banks and on hand (1)	**10,511**	25,447	**7,483**	24,293
Short-term deposits (2)	**376**	1,394	**376**	1,394
	10,887	26,841	**7,859**	25,687

As of 31 December 2022, the cash and cash equivalents have no restrictions limiting their availability.

(1) In 2022, banks comprise balances in 100% Equion Group and Company accounts of $10,428,000 (2021: $25,380,000) and joint venture account balance of $83,000 (2021: $67,000).
(2) Short-term deposits include TIDIS (tax devolution titles that are used to pay future taxes).

A significant amount of cash is held with the following institutions:

Rating	Institution Name	Group 2022 $000	Group 2021 $000	Company 2022 $000	Company 2021 $000
A+	Citibank NY	**8,508**	24,519	**7,035**	23,716
AAA	Citibank Colombia	**181**	542	**39**	310
AAA	Credicorp Colombia	**1,684**	177	**271**	58
AAA	Itau Corpbanca Colombia	**136**	184	**136**	184
AAA	BBVA Colombia	**2**	25	**2**	25
		10,511	25,447	**7,483**	24,293

According to the Group´s credit risk policy, credit limits are:

Fitch	Credit Limits
BBB+	US$ 30M
BBB	US$ 20M
BBB-	US$ 15M

21. Called up share capital

	2022 $000	2021 $000
Allotted, called up and fully paid		
225,168,768 (2021 - 225,168,768) Ordinary shares of £0.8787 each one/ USD $1.5 (31 December 2015 £0.8967 each one USD $1.53 and 31 December 2012 £1 each one USD $1.7) - issued and paid	**331,869**	331,869
48,800,000 (2021 - 48,800,000) Ordinary non-voting shares of £1	**-**	-
	331,869	331,869

22. Profit per share

Profit per share amounts are calculated by dividing the net profit/loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2022 $000	2021 $000
Profit for the period ($000)	11,610	15,546
Ordinary shares:		
Ordinary shares of £0.8787 each	225,168,768	225,168,768
Profit on ordinary shares (US$ per share)	0.05	0.07

23. Provisions

Group

	Decommissioning $000	Environmental $000	Restructuring $000	Other $000	Total $000
At 1 January 2022	1,665	11,349	1,979	3,103	18,096
Write backs	-	(32)	-	(70)	(102)
Accretion	8	219	-	35	262
Utilisations	(657)	(1,098)	(328)	(601)	(2,684)
Change in discount rate	(3)	(227)	-	(43)	(273)
Additions	24	558	295	44	921
Revaluations	(236)	(1,872)	(302)	(465)	(2,875)
At 31 December 2022	801	8,897	1,644	2,003	13,345

Company

	Decommissioning $000	Environmental $000	Restructuring $000	Other $000	Total $000
At 1 January 2022	1,665	11,284	1,979	3,103	18,031
Write backs	-	(32)	-	(70)	(102)
Accretion	8	218	-	35	261
Utilisations	(657)	(1,089)	(328)	(601)	(2,675)
Change in discount rate	(3)	(227)	-	(43)	(273)
Additions	24	603	295	44	966
Revaluations	(236)	(1,861)	(302)	(466)	(2,865)
At 31 December 2022	801	8,896	1,644	2,002	13,343

	Group 2022 $000	Group 2021 $000	Company 2022 $000	Company 2021 $000
Within 1 year	6,823	8,110	6,823	9,198
After 1 year	6,522	9,986	6,520	8,833
	13,345	18,096	13,343	18,031

23. Provisions (continued)

Provisions for Decommissioning - The provision has been estimated using existing technology, at current prices and discounted using a real discount rate. These costs are expected to be incurred over the next years. While the provision is based on the best estimate of future costs and the economic lives of the facilities and pipelines, there is uncertainty regarding both the amount and timing of incurring these costs. Tacare Golconda, Río Chitamena and Tauramena Wellpads represents 87% of the total provision and will be dismantled from 2023 until 2026.

These estimates are periodically revised to identify any changes in assumptions. However, the real costs of decommissioning will depend on future market prices and timing of incurring these costs. Also, they will depend on the future prices of oil and gas, which are inherently uncertain.

The Group uses future cash flows expressed in current prices and real discount rates used for retirement obligations. At 31 December 2022 the real rate used for its obligations originated in Colombian Pesos was a range between 4.04% and 5.39%, depending upon date of decommissioning (2021: real rate range between 0.05% and 3.56% for its obligation originated in Colombian pesos).

Provisions for Environmental - The provision was estimated by using existing technology at current prices and discounted at the real discount rate, based on the application of the legal requirements.

The Group mainly developed exploration, drilling and production projects for oil and gas. Those projects used water that comes directly from natural sources within the relevant area. According to Article 43 of Act 99, all Companies that use natural resources are required to allocate 1% of the project investment to the preservation and recovery of the watershed that feeds the respective water source.

Due to the lack of regulation regarding the basis of the calculation to determine the value of the investment, since 2006 a controversy has been established with the Ministry of Environment, Housing and Territorial Development, since they have a different interpretation of the law. In the opinion of the Group and its advisors, their interpretation is illegal.

Taking into account the issuance of the Colombian National Development Plan (Law 1955/2019) and especially the content of article 321 thereof, the Group, in the environmental licenses in which it is the holder, submitted a request for acceptance of the new settlement scheme of the 1% investment according to our legal understanding of the standard. Thus, we are also aware that Ecopetrol submitted a similar acceptance to the settlement scheme proposed by article 321 of the National Development Plan in the projects in which Equion has an interest (Santiago de las Atalayas, Tauramena, Rio Chitamena and Recetor).

As a result of discussions with the National Environmental Licensing Authority and with the support of the State Legal Defense Agency, it was possible to reach a consensus on how to interpret article 321 of the National Development Plan, and how to settle the outstanding value of the 1% investment. This agreement has allowed the National Environmental Licensing Authority to issue administrative acts in response to article 321 of the National Development Plan, where it has expressly accepted in most of the environmental files, the values settled by the Company as amounts pending investment to comply with the 1% obligation. This circumstance has allowed the litigations associated with the liquidation of the 1% investment to be withdrawn or dismissed, taking into account that the Company agrees with the values accepted by the authority as liquidation of the 1% investment.

23. Provisions (continued)

The Group has adjusted the 1% environmental investment provision under the Article 321 Colombian National Development Plan. The provision could be subject to changes by interpretation as a result of unforeseen events during the execution of the 1% investment by Ecopetrol.

Provisions for Restructuring - The provision reflects the Branch plan to adjust the organisational capacity by the termination and return of contracts. Management announced to the organisation the exit conditions, which were approved by the Board of Directors on 29 October 2019 and ratified on 27 October 2020. Based on the above, management continues with the reorganisation plans, maintaining the same withdrawal conditions of recent years.

In 2022 and 2021, the administration reviewed its organisational capacity and scheduled new layoffs for these periods, including subsequent years. The Groups expects to continue the reorganisation plan until 2024.

Other Provisions - These provisions are mainly related to the estimations required to address contract termination pending matters for $1,440,000; Equion 100% assets property clean up for $280,000 as well as a Social Security claim for $250,000 and others $30,000.

24. Trade and other payables

	Group 2022 $000	Group 2021 $000	Company 2022 $000	Company 2021 $000
Suppliers	**669**	844	**723**	785
Related parties (note 25)	**178**	773	**236,303**	231,612
Other creditors	**241**	596	**235**	595
Employees	**350**	520	**350**	520
Trade creditors	**327**	34	**327**	34
	1,765	2,767	**237,938**	233,546

25. Related parties transactions

During the period the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

Related parties	Description	Income	Cost	Amounts owed by	Provision for doubtful debts	Amounts owed to
		$000	$000	$000	$000	$000
At 31 December 2022						
Repsol International Finance B.V -RIF- (1)	Loan under deposit agreement	100	-	-	-	-
Repsol Europe Finance S.A.R.L -REF- (1)	Loan under deposit agreement	5,004	-	162,793	-	-
Ecopetrol Capital AG	Loan under deposit agreement	5,312	-	169,442	-	-
Oleoducto de Colombia S.A.	Transportation services	-	533	-	-	(45)
Hocol S.A.	Transportation services	5	290	-	-	-
Cenit S.A.	Transportation services	-	8	-	-	-
Ecopetrol S.A.	Transportation services	-	-	-	-	-
	Asset sale	55	-	-	-	-
	Others	12	100	928	125	(133)
	Joint venture	41	16	429	95	-
Repsol Ductos Colombia	Transportation services	-	82	-	-	-
Repsol Services Colombia	Fees	-	24	-	-	-
Total		10,529	1,053	333,592	220	(178)

(1) On 31 January 2022, RIF transferred and assigned to REF its contractual position under the Deposit Agreement, and all its rights and interest in, and obligations under the Deposit Agreement.

25. Related parties transactions (continued)

Related parties	Description	Income	Cost	Amounts owed by	Provision for doubtful debts	Amounts owed to
		$000	$000	$000	$000	$000
At 31 December 2021						
Repsol International Finance B.V	Loan under deposit agreement	1,591	-	358,062	-	-
Ecopetrol Capital AG	Loan under deposit agreement	1,655	-	372,681	-	-
Oleoducto de Colombia S.A.	Transportation services	-	537	-	-	53
Hocol S.A.	Transportation services	43	289	87	-	-
Cenit S.A.	Transportation services	-	170	-	-	23
Ecopetrol S.A.	Oil gas and GLP sales	15,806	1,270	2,229	-	250
	Others	24	83	132	-	171
	Joint venture	13	31	321	115	245
	Asset sale	20,600	-	-	-	-
Repsol Ductos Colombia	Transportation services	-	96	-	-	-
Repsol Services Colombia	Secondees	-	247	-	-	31
Total		39,732	2,723	733,512	115	773

Terms and Conditions of Transactions with Related Parties - The sales and purchases between related parties are performed under conditions equal to those existing for transactions among independent parties.

25. Related party transactions (continued)

Balances at the respective dates of closing of the periods reported do not receive interest, except to loans under deposit agreement that has established an interest rate of Libor * 3 months plus 13.875 (2021 - 13.972) basis points (spread according to Bloomberg's swap calculator), with respect to each interest period. There are no guarantees granted or received in relation with accounts receivable or accounts payable with related parties. The Group may withdraw on demand all or part of the deposits by giving notice at least 10 banking days prior to the date of withdrawal.

For the periods ended on 31 December 2022 and 2021, the Group has not registered any impairment regarding loans under the deposit agreement. This evaluation is performed at the close of each period reported, through a review of the financial situation of the related parties and the market where it operates.

26. Immediate and ultimate controlling parents undertaking

The immediate and ultimate parent undertakings of the Company are Ecopetrol S.A. registered in Colombia and Repsol S.A. a company registered in Spain. Copies of Equion Energia Limited accounts can be obtained from 11th Floor 200 Aldersgate Street, EC1A 4HD, London. The respective financial statements can be consulted in their websites: www.ecopetrol.com and www.repsol.com.

27. Financial instruments

The Group's financial assets and liabilities consist of cash and cash equivalents, accounts receivable, and accounts payable. Disclosed below are the book value and the fair value by financial instrument category:

Financial assets and liabilities carried at amortised cost.

	2022 Cost $000	2022 Fair value $000	2021 Cost $000	2021 Fair value $000
Accounts receivable long term	**82**	**82**	21	21
Accounts receivable short term	**334,518**	**334,518**	735,555	735,555
Cash and cash equivalents	**10,887**	**10,887**	26,841	26,841
Accounts payable long term	**-**	**-**	-	-
Accounts payable short term	**(1,765)**	**(1,765)**	(2,767)	(2,767)
	343,722	**343,722**	759,650	759,650

27. Financial instruments (continued)

The following table is a summary of financial instruments by hierarchical classifications designated as fair value through the total profit and loss for the period:

At 31 December 2022	**Quoted prices in active markets (Level 1) $000**	**Observable inputs (Level 2) $000**	**Inputs less observable (Level 3) $000**
Financial instrument			
Accounts receivable long term	-	-	82

At 31 December 2021	**Quoted prices in active markets (Level 1) $000**	**Observable inputs (Level 2) $000**	**Inputs less observable (Level 3) $000**
Financial instrument			
Accounts receivable long term	-	-	21

The Group uses Level 3 data to measure the fair value of long term accounts receivable as related to other account receivables and loans to employees. The assumption used to measure loans to employees was to discount it at an annual effective market rate.

The fair value is determined for long term accounts receivable calculating the net present value based on market rates and assessing if there is objective evidence of impairment individually or through global analysis. In the years 2022 and 2021, no assets or liability transfers were performed among hierarchical levels.

28. Financial commitments

Authorised and contracted operational expenditure by the Group for which contracts had been placed but not provided in the accounts at 31 December and are under non-cancellable is estimated at:

	Group 2022 $000	**Group 2021 $000**	**Company 2022 $000**	**Company 2021 $000**
Costs and expenses	**1,061**	696	**1,058**	695
Costs and expenses related parties	**21**	190	**21**	190
	1,082	886	**1,079**	885

29. Contingencies

29.1 Fourteenth Article of Piedemonte Association Contract - On 1 March 1992, Equion Energia Limited and Ecopetrol S.A. executed the Piedemonte Association Contract. With respect to clause 14.2 of Article Fourteen in the Piedemonte Association Contract, an interpretation difference has arisen between the parties with respect to application of the production distribution sliding scale. The detail of the interpretation difference relates to the total cumulative production of the field's production sliding scale table. Ecopetrol assert that it includes the entire production, including that corresponding to royalties and the oil used for the benefit of Contract operations. Equion consider that it should exclude the oil used for the benefit of Contract operations and the percentage of royalties.

On 1 September 2016 Ecopetrol filed a written communication in which it stated that according to its interpretation of clause 14.2, the production of the Piedemonte association contract, reached the figure of 60,000,001 barrels of crude oil on approximately on August 6, 2016. Therefore, Ecopetrol considered that, as of this date, 55% of the participation in the production of the fields Floreña and Pauto must be delivered to it.

On 20 November 2017, production of 60,000,000 was exceeded, excluding the oil used in benefit of the operations of the association contract, as well as the production corresponding to royalties. Therefore regardless of the disagreement that exists between the Parties over the date of transition, it is clear that as of this date there is no disagreement over the fact that the interest in production and OPEX is 55% for Ecopetrol and 45% for Equion going forward, from that date.

The estimated value of this difference in timing of the transfer is US$20,100,000. Up until now, there is no legal action against the Group that has been formally notified. Management considers that the interpretation the Group has made of clause 14.2 of the Piedemonte association contracts is correct and for that reason it has not breached any obligation regarding the provisions of such clause.

In the Executive Committee of 7 June 2019, partner Ecopetrol reiterated its position regarding the request it has been making to the Group to immediately deliver its corresponding production, taking into account that the volume of production of 90,000,000 was reached according to its view, and partner Equion mentioned that in its opinion these production volumes have not been reached.

29. Contingencies (continued)

The estimated value of the disagreement on this second scale would amount to US$15,400,000. So far there is no legal action against the Group formally notified, so no provision has been made to date in relation to the present case. Management considers that the Group's interpretation of clause 14.2 of the Piedemonte Association Agreement is correct, and because of this it has not breached any obligation with respect to the provisions of that clause.

29.2 Contractual Dispute Action - Transportadora de Gas Internacional (TGI)-AOB - Controversy over the balance operating agreement (AOB) entered into with TGI and the circumstance under which the gas has not been taken by the purchaser thereof through TGI. For the Group, in compliance with the gas sale contract, its obligation is to make available the gas, which is why it has been fulfilling its obligation even if the gas is not taken. For TGI, the gas that has not been taken is "owed" to the purchaser, and to such an extent when the buyers request so, the gas must be delivered by Equion as part of an "unbalance" within the AOB. The amount of claims is US$4,000,000 (gross), of which US$1,000,000 would be borne by the Group.

On 7 March 2019, the Group was notified of the claim filed by TGI in connection with the disputes arising from the Balance Operating Agreement (AOB). In said lawsuit, TGI seeks: (i) that it is declared that the AOB termination made by TGI on 20 June 2017 corresponds to the calculation method agreed by the parties to the Agreement; (ii) that Equion be declared to have breached the AOB by not agreeing to settle the operational imbalance in accordance with the calculation method agreed to in the Agreement. On 31 May 2019, Equion filed an answer to the lawsuit before the Administrative Court of Cundinamarca together with motion for dismissal for improper notification which is pending its resolution. On 14 June 2019, the Court notified the merit exceptions proposed in the lawsuit reply. On 8 August 2022, the Court ruled in the negative on the annulment action brought by Equion. On August 11, 2022, Equion filed a motion for reconsideration and appeal against the writ, which as of 31 December 2022 is pending resolution.

29.3 Arbitration Court – Royalties Action. - Class action to protect collective rights to administrative morality and defense of public heritage. It is argued that the parties of the Association Contracts: Santiago de las Atalayas, Tauramena and Río Chitamena did not properly report, settle or pay oil and gas production to the Nation from 1999 to 2007, and therefore the royalties of the department of Casanare have been affected.

The proceeding has been in the evidentiary stage since 2010 and as of December 2020 it has not ended. The next step is the closure of the evidentiary stage and the submission of closing arguments. At the present time the potential exposure cannot be estimated.

On October 14 2021, the First Administrative Court of Yopal issued a judgment of first instance in which it absolved the companies of any responsibility regarding the settlement and payment of royalties during the period indicated by the plaintiff. However, it established that the Ministry of Mines made errors in the settlement of royalties. The ruling was appealed by the class action plaintiff, Ecopetrol, the Ministry of Mines and Energy, the ANH and the National Agency for Legal Defense of the State. The appeal is pending before the Administrative Court of Casanare. There is no provision for this case.

As of 31 December 2022, there has been no ruling by the Administrative Court of Casanare.